

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

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<i>In re</i>	:	
	:	
THE FINANCIAL OVERSIGHT AND	:	PROMESA
MANAGEMENT BOARD FOR PUERTO RICO,	:	
	:	Title III
as representative of	:	
	:	Case No. 17-BK-3283-LTS
THE COMMONWEALTH OF PUERTO RICO, <i>et</i>	:	
<i>al.</i>	:	Court Filing Relates Only to PREPA
	:	
Debtor.	:	

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<i>In re</i>	:
	:
THE FINANCIAL OVERSIGHT AND	:
MANAGEMENT BOARD FOR PUERTO RICO,	:
	:
as representative of	:
	:
PUERTO RICO ELECTRIC POWER	:
AUTHORITY (PREPA),*	:
	:
Debtor.	:
	PROMESA
	Title III
	Case No. 17-4780-LTS
	(Jointly Administered)

**LIMITED JOINDER OF FUEL LINE LENDERS TO URGENT MOTION OF THE AD
HOC GROUP OF PREPA BONDHOLDERS PURSUANT TO SECTION 312 OF
PROMESA AND SECTION 105 OF THE BANKRUPTCY CODE TO APPOINT A
MEDIATOR AND IMPOSE DEADLINES FOR A PREPA PLAN OF ADJUSTMENT**

* The Debtors in these Title III cases, along with each Debtor’s respective Title III case number listed as a bankruptcy case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority (“PBA”) (Bankruptcy Case No. 19 BK 5523-LTS) (Last Four Digits of Federal Tax ID: 3801).

Cortland Capital Market Services LLC (“Cortland”), as successor administrative agent under a Credit Agreement, dated May 4, 2012, among PREPA, Scotiabank de Puerto Rico, and certain lenders (the “Scotiabank Credit Agreement”), and certain lenders under a Trade Finance Facility Agreement, dated July 20, 2012, between PREPA and Citibank, N.A. (the “Citibank Credit Agreement” and, collectively, the “Fuel Line Lenders”¹), respectfully submit this limited joinder to the *Urgent Motion of the Ad Hoc Group of PREPA Bondholders Pursuant to Section 312 of PROMESA and Section 105 of the Bankruptcy Code to Appoint a Mediator and Impose Deadlines for a PREPA Plan of Adjustment* (the “Motion”), and respectfully state as follows:

LIMITED JOINDER

1. The Fuel Line Lenders are significant financial creditors of PREPA. The Fuel Lines were revolving loans made by Puerto Rico banks to PREPA to provide the utility with short-term liquidity to buy the fuel needed to operate its system — hence the name “Fuel Line.” Each loan had a maturity between 180 to 270 days, and was classified by PREPA as a “Current Expense” — that is, an expense of operating PREPA’s system.

2. In July 2014, because of PREPA’s compromised financial state, the Fuel Line Lenders agreed to forbear from collecting their loans in an effort to facilitate PREPA’s recovery. Nearly eight years later, the Fuel Line Lenders are still owed the approximately \$700 million in principal amount that was advanced to PREPA in 2014 to purchase fuel.²

¹ Cortland respectfully refers the Court to the *Objection of Cortland Capital Markets Services LLC, as Administrative Agent, and Solus to PREPA Bondholder Settlement* (Dkt. 1700 in Case No. 17-4780) for detailed background regarding the Fuel Line Lenders and their interests in this case.

² The amount of unpaid interest that has accrued is nearly \$300 million.

3. For three years prior to the filing of this Title III case, PREPA's bondholders and the Fuel Line Lenders worked together, agreeing to forbear on collection and negotiating with PREPA to achieve a consensual restructuring. During that time period, the Fuel Line Lenders effectively financed PREPA by extending their maturities. These negotiations were successful, resulting in the 2015 Restructuring Support Agreement and an amended RSA in 2017.

4. PROMESA, enacted in 2017, contained provisions that had the express purpose of permitting the expeditious approval of the prepetition PREPA RSA.³ Nonetheless, the Oversight Board chose to reject that consensual deal, opting instead to file this Title III case. Nearly five years have now elapsed without any payments to the Fuel Line Lenders.

5. The 2019 RSA was negotiated exclusively by the bondholders and the Oversight Board. The Fuel Line Lenders objected to the RSA, contending, among other things, that approval of the RSA would improperly deprive the Fuel Lines of their priority position with respect to the bonds.⁴ At the time the Oversight Board halted prosecution of the RSA approval motion in February 2020, a heavily-contested litigation had been underway for some eight months and was far from complete.

6. The Fuel Line Lenders disagree with the Ad Hoc Group's position that the primary open issue in PREPA's Title III case is the implementation of the RSA. The treatment of the Fuel Lines is also an important open issue. Nonetheless, the Fuel Line Lenders share the Ad Hoc Group's and National's overall goal of bringing this nearly five-year long case to an expeditious conclusion, and believe that the request for a mediation under Judge Houser's capable direction is a constructive one.

³ See 48 U.S.C. §§ 2231-32 (PROMESA Title VI).

⁴ Fuel Line 9019 Objection (Dkt. 1700 in Case No. 17-4780).

7. After discussions among the Fuel Line Lenders, the Ad Hoc Group and National, the Ad Hoc Group has filed a Revised Proposed Order (Dkt. ___), which includes the Fuel Line Lenders as Initial Mediation Parties. This change to the proposed order is necessary for the Fuel Line Lenders to support the relief sought in the Motion, because the Fuel Line Lenders believe they are essential participants in any mediation of plan-related issues. The Revised Proposed Order expressly provides Judge Houser with discretion to determine the sequencing of issues that will best facilitate the goal of an agreed plan of adjustment.

8. The Ad Hoc Group's motion requests that the Court impose a series of deadlines between now and consummation of a plan. The Fuel Line Lenders take no position on those deadlines, except to say that they will not be feasible in the event that the mediation does not result in consensus. The Fuel Line Lenders reserve all rights to seek relief from any pre-set deadlines in the event they are required to litigate with the Oversight Board or others in relation to a plan of adjustment. In the meantime, the Fuel Line Lenders are prepared to work cooperatively and expeditiously with the Oversight Board, the bondholders and other stakeholders to seek to reach consensus on a plan.

CONCLUSION

The Fuel Line Lenders support entry of the Revised Proposed Order to appoint a mediator.

Dated: February 25, 2022

/s/ Nayuan Zouairabani

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